

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTES**

Next Board Meeting  
April 26, 2007

Next CD Auction  
May 15, 2007

## OPERATING REPORT JANUARY 2007

**Board of Treasury Investments**

1900 Kanawha Boulevard East  
Suite E-122  
Charleston WV 25305  
(304) 340-1578  
www.wvbt.com

**Board of Directors**

John D. Perdue,  
State Treasurer,  
Chairman

Joe Manchin III,  
Governor

Glen B. Gainer III,  
State Auditor

Martin Glasser,  
Esq. Attorney  
Appointed by  
the Governor

Jack Rossi, CPA  
Appointed by  
the Governor

**Executive Staff**

Executive Director  
Glenda Probst,  
CPA, CTP

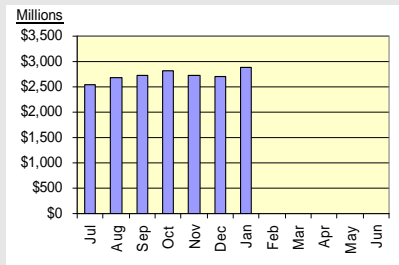
Chief Financial Officer

Kara K. Brewer,

**Total Net Assets Under Management**  
**\$2,889,414,000**

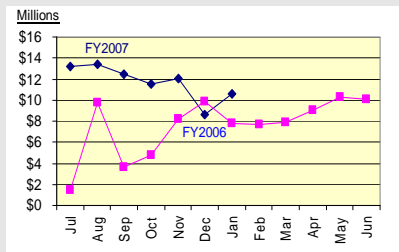
Last Month  
**\$2,698,002,000**

Beginning of Fiscal Year  
**\$2,481,176,000**



**16.5% Growth This Fiscal Year**

**Total Net Income & Gains**  
**This Month \$10,627,000**  
**Fiscal Year \$82,042,000**

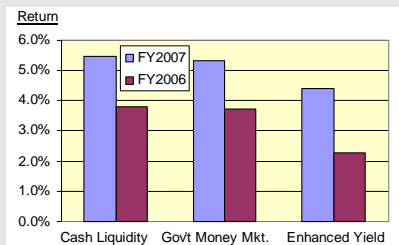


**Outpacing Last Year**

**Effective Rates of Return**

*Time Weighted, Annualized, Net of All Fees*

	Jan. 2007	Fiscal Year to Date 2007	Fiscal Year to Date 2006
Cash Liquidity	5.4%	5.5%	3.8%
Gov't Money Mkt	5.5%	5.3%	3.7%
	Fiscal Year 2007 (Past 12 Months)	Fiscal Year 2006 (Past 12 Months)	
Enhanced Yield	4.4%	2.3%	



Returns are annualized fiscal year to date for Cash Liquidity & Gov't Money Mkt; past 12 months for Enhanced Yield

**Returns Exceed Prior Year's**

**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**THE ECONOMIC STATE**  
**JANUARY 2007**

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**U.S. Economic Expansion Picks Up Pace**

*—Consumer spending rebounds—*  
*Treasury yields shift higher*

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The U.S. unemployment rate rose to 4.6% in January from 4.5% in December. The unemployment rate hit a five-year low of 4.4% in October. The U.S. economy added fewer jobs in January than expected with an increase of 111,000, which followed a revised gain of 206,000 in December. The U.S. economy expanded at a faster pace than expected in the fourth quarter, growing at a 3.5% annual pace. A rebound in consumer spending propelled the economy as gasoline prices fell and wages grew. U.S. consumer prices rose 0.5% in December while the core CPI, which excludes food and energy, rose 0.2%. Both the CPI and core CPI were unchanged in November. For the year, the CPI increased 2.5% while the core CPI rose 2.6%. The Producer Price Index rose more than forecast in December, reflecting higher costs for crude oil and gasoline that have since declined. The PPI increased 0.9% in December which followed a 2.0% increase in November. The core PPI advanced 0.2% after climbing 1.3% in November. Over the trailing twelve months, producer prices rose 1.2% compared with a 5.4% rise in 2005. Excluding food and energy, core prices rose 2.0% in 2006 after a 1.4% increase in 2005. Housing starts unexpectedly climbed 4.5% in December, reinforcing the belief that the construction slump may be over. However, housing starts still fell 13.0% for all of 2006 and near-record inventories of unsold homes are expected to impede home construction well into 2007.

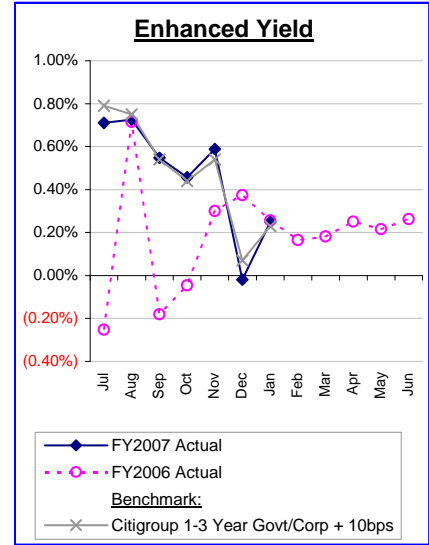
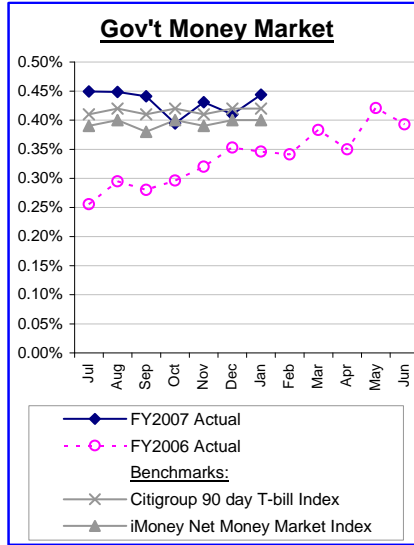
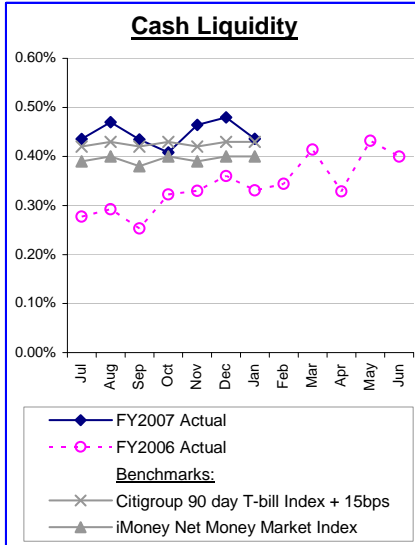
The overnight lending rate remained at 5.25% in January after the Fed left rates unchanged at its last five meetings. Moderating inflation at both the consumer and producer level continued to validate the pause. For the month of January, yields shifted higher across the curve, increasing 10-12 bps from the 2- to 30-year Treasury. The yield curve remained inverted at the belly of the curve. The 3-year Treasury yield jumped 12 bps to 4.85% while the 30-year Treasury yield rose 10 bps to 4.91%. The 5-year and 10-year Treasury yields rose 11 bps to 4.80% and 4.81%, respectively. The 2-year Treasury yield also rose 11 bps to 4.92%. As a result, the yield spread between the 30-year Treasury and the 2-year Treasury turned slightly negative..

Ninety-day T-bills earned 41 bps followed by the Merrill Lynch 1-3 Year Treasury Index up 22 bps.

# West Virginia Board of Treasury Investments

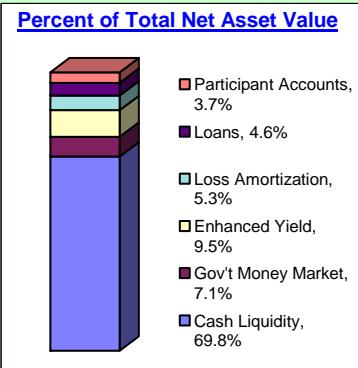
## Financial Highlights as of January 31, 2007

### Monthly Rates of Return for Operating Pools *(Net of Fees)*



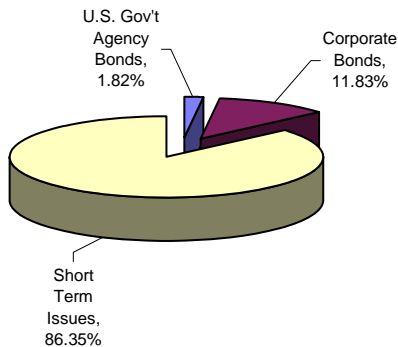
### Summary of Value and Earnings *(In Thousands)*

Pool	Asset Value	Jan. Net Income (Loss)	Fiscal YTD Net Income (Loss)
Cash Liquidity	\$ 2,016,445	\$ 8,385	\$ 57,258
Gov't Money Market	205,355	820	5,776
Enhanced Yield	275,125	673	8,801
Loss Amortization	152,448	(19)	6,505
Loans	132,166	372	2,065
Participant Accounts	107,875	396	1,637
	<u>\$ 2,889,414</u>	<u>\$ 10,627</u>	<u>\$ 82,042</u>

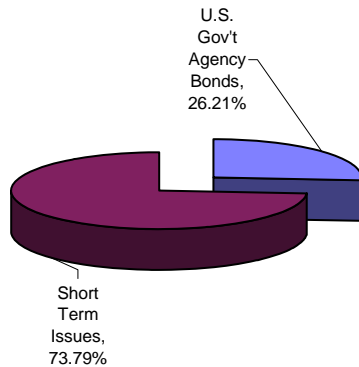


### Securities by Type for Operating Pools *(Percentage of Asset Value)*

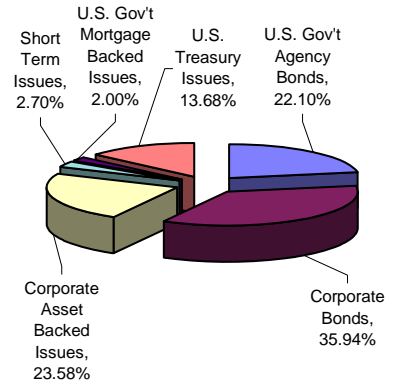
#### Cash Liquidity Pool



#### Gov't Money Market Pool



#### Enhanced Yield Pool



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF NET ASSETS, OPERATIONS & CHANGES IN NET ASSETS –**  
**UNAUDITED**

**JANUARY 31, 2007**

*(IN THOUSANDS)*

	<b>Cash Liquidity</b>	<b>Government Money Market</b>	<b>Enhanced Yield</b>	<b>Other Pools</b>	<b>Participant Directed Accounts</b>
<b>Assets</b>					
Investments:					
At amortized cost	\$ 2,029,404	\$ 205,096		\$ 131,767	\$ 28,046
At fair value	-	-	\$ 228,477	152,448	79,313
Collateral for securities loaned	285,833	55,526	140,457	-	-
Other assets	5,260	290	48,359	404	518
<b>Total assets</b>	<b>2,320,497</b>	<b>260,912</b>	<b>417,293</b>	<b>284,619</b>	<b>107,877</b>
<b>Liabilities</b>					
Payable for securities loaned	285,833	55,526	140,457	-	-
Other liabilities	18,219	31	1,711	5	2
<b>Total liabilities</b>	<b>304,052</b>	<b>55,557</b>	<b>142,168</b>	<b>5</b>	<b>2</b>
<b>Net Assets</b>	<b>\$ 2,016,445</b>	<b>\$ 205,355</b>	<b>\$ 275,125</b>	<b>\$ 284,614</b>	<b>\$ 107,875</b>
<b>Investment income</b>					
Interest and dividends	\$ 3,550	\$ 419	\$ 1,174	\$ 377	\$ 430
Securities lending income	1,420	214	507	-	-
Net accretion (amortization)	4,915	411	26	511	(12)
Provision for uncollectible loans	-	-	-	-	-
<b>Total investment income</b>	<b>9,885</b>	<b>1,044</b>	<b>1,707</b>	<b>888</b>	<b>418</b>
<b>Expenses</b>					
Fees	151	16	30	5	1
Securities lending borrower rebates	1,359	208	496	-	-
<b>Total expenses</b>	<b>1,510</b>	<b>224</b>	<b>526</b>	<b>5</b>	<b>1</b>
<b>Net investment income</b>	<b>8,375</b>	<b>820</b>	<b>1,181</b>	<b>883</b>	<b>417</b>
Net realized gain (loss)					
from investments	10	-	(224)	-	-
Net increase (decrease)					
in fair value of investments	-	-	(284)	(530)	(21)
<b>Net gain (loss) from investments</b>	<b>10</b>	<b>-</b>	<b>(508)</b>	<b>(530)</b>	<b>(21)</b>
<b>Net increase (decrease) in net assets from operations</b>	<b>8,385</b>	<b>820</b>	<b>673</b>	<b>353</b>	<b>396</b>
<b>Distributions to participants</b>	<b>8,385</b>	<b>820</b>	<b>1,180</b>	<b>372</b>	<b>-</b>
<b>Participant activity</b>					
Purchases, reinvestment of units and contributions					
	749,764	17,590	941	372	2,578
Redemptions and withdrawals	564,086	10,222	300	129	4,965
<b>Net increase (decrease) in net assets from participant activity</b>	<b>185,678</b>	<b>7,368</b>	<b>641</b>	<b>243</b>	<b>(2,387)</b>
Increase (decrease) in net assets	185,678	7,368	134	224	(1,991)
Net assets at beginning of period	1,830,767	197,987	274,991	284,390	109,866
<b>Net assets at end of period</b>	<b>\$ 2,016,445</b>	<b>\$ 205,355</b>	<b>\$ 275,125</b>	<b>\$ 284,614</b>	<b>\$ 107,875</b>